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Kentucky is often associated with Thoroughbreds and the horse racing industry, but lesser known is the impact of the other horses that call Kentucky home. While many states have incentive funds to reward successful breeders of race horses, Kentucky is the only state with such an incentive for non-racing breeds.

Despite complications from alleged or actual violations by some owners, the program is demonstrating success.

Since the fund started making awards three years ago, dividing \$1.13 million among nine non-racing breeds, it appears to have spurred registrations for such breeds. The money, totaling \$1.31 million in 2008, is used as prizes for Kentucky-bred horses competing in horse shows and other competitions.

According to data collected by the Kentucky Horse Racing Commission, which administers the Breeders Incentive Fund, at least 115,305 registered horses representing the nine breeds were registered in Kentucky in 2007. Data collected by the American Horse Council in 2007 showed that 320,000 horses lived in the Bluegrass.

Thoroughbreds generate most of the money in Kentucky's horse industry. According to the Jockey Club, in 2007 there were 10,454 registered Thoroughbred foals in Kentucky, 31 percent of the national total. Kentucky has an incentive fund for breeders of Thoroughbreds and of Standardbreds, often called trotters.

“All major states have an incentive program, but we are a step ahead because of the non-racing component,” said Jamie Eads, director of breeders’ incentives for the KHRC.

Judi Baranger-Kemper, president of the Kentucky Morgan Horse Association, described the non-race incentives as “a visionary program that recognizes the horse industry is larger than the racing industry.”

The non-racing incentive fund began with nine breeds – Appaloosa, Morgan, Paint, Quarter Horse, Paso Fino, Mountain Horse Breeds, Saddlebred, Hackneys and Walking Horses. Recently, two additional non-racing breeds, Arabians and Miniature horses, were approved for funding in 2009-11.

According to reports from Kentucky non-racing breed associations, the number of registered horses in the state has increased from the first three-year period (2006-08) to the current 2009-11 period in five of the nine breeds, and overall. The most significant increase was noted among Tennessee Walking Horses, whose numbers increased by 2,309.

In a recent report to the KHRC, the Kentucky Paint Horse Association noted that entries at the annual April Paint-O-Rama horse show increased nearly 70 percent from 2006 to 2008. The report also showed that number of stallions nominated to the Breeders Trust jumped from only seven stallions in 2006 to 42 in 2008.

The Kentucky Quarter Horse Association has also documented an impact. According to a September 2009 press release, Kentucky quarter horses earned nearly 6,000 points in breed-sanctioned shows or races in 2008, more than 20 times the points earned in 2006.

According to Rich Wilcke, a member of the Kentucky Quarter Horse Association Breeder’s Incentive Fund Committee, the program was designed “to encourage the

buying and showing or racing of these horses by giving most of the money to those who show or race, the owners.”

The incentives driving these impacts became available when the Kentucky legislature created the fund in 2005. The Kentucky Breeders’ Incentive Fund Program became effective June 1, 2006.

Incentives come from the 6 percent sales tax on breeding fees. Thoroughbreds, which generate the majority of taxes from breeding, receive 80 percent of the fund. The Standardbred Breeders Incentive Fund gets 13 percent of the remaining funds, leaving the last 7 percent for non-racing breeds.

Each of the nine non-racing breed organizations gets a percentage of money based on total breed registrations in Kentucky. Each organization then allocates its incentive funds for awards in different activities. These activities usually involve breed-sanctioned shows, but some groups offer incentives for showing at county fairs or competitive trail riding.

The Quarter Horse organization is among those that use a point system. Each point earned by a horse at a breed-sanctioned show is worth a certain number of dollars, which varies each year depending on the number of nominated horses and money allocated to the breed. Eighty percent of the incentive goes to the owner of the horse, 10 percent to the breeder, and 10 percent to the stallion nominator. According to the KHRC, 142 awards were given for Quarter Horses in the first year, and each point was worth \$2,598. This point value dropped to \$231.13 the following year, with 791 horses participating. A more detailed explanation of incentives for Kentucky-bred Quarter Horses is on the KQHA website, www.kyqha.com.

The Kentucky Appaloosa Owners Association uses another method. This group has four programs which recognize horses that participate in sanctioned shows, open shows, competitive trail rides, and a weanling futurity. Sixty percent of the incentives are used to reward the top three horses earning points in 36 classes. In 2006, the first place winner in each class received \$400. This dropped to \$300 in 2007. The other two programs, trail riding and weanling futurity, award incentives to the top 10 horses earning points. These programs are explained on the organization's website, <http://kyappaloosas.googlepages.com>.

Each breed organization is responsible for creating its individual incentive programs, and must receive approval from the Kentucky Horse Racing Commission.

As news of the fund spread, it began serving its purpose – recognizing Kentucky-bred horses and attracting additional horse farms and breeders to the state.

Non-racing breed groups began publishing projections showing incentives that winners might earn, and the fund began earning state, regional and national attention, not only in horse publications, but in daily newspapers.

. Mitch Whittle, president of the Kentucky Appaloosa Owners Association, said several Web sites created to market Kentucky-bred horses began contacting non-race breed organizations. (Whittle is the father of this story's writer.)

But problems would come. Stories about possible fraud among competitors began circulating. In 2008, the KHRC added a fraud statement and disciplinary procedures to existing regulations. The fraudulent statement reads as follows. "Any attempt in connection with the Kentucky Horse Breeders' Incentive Fund to provide false or misleading information to the (Kentucky breed affiliate) or government officials, or to

otherwise engage in fraudulent activity, shall result in appropriate disciplinary action by the (Kentucky breed affiliate) and the application of all civil and criminal penalties that may apply.” According to Eads, it is up to the Kentucky breed affiliate to notify the KHRC of any fraudulent activity or violations.

“I have dealt with fraud in just about every group,” commented Eads. “People will point the finger at other people, especially when money is involved.”

Two individuals within the Kentucky Walking Horse Breeders Incentive Fund were denied their incentive awards because the points were earned while they served under a Horse Protection Act suspension. The Horse Protection Act prohibits horses from participating in exhibitions, sales, shows or auctions if they have been subjected to soring, which compels walking horses to step high.

At the February 2009 KHRC meeting, in which non-racing breed applications were being approved, the Kentucky Walking Horse Breeders Incentive Fund application was deferred.

According to the final order issued by the KHRC, there were concerns over “inadequate regulation and reporting of Horse Protection Act violations, specifically the act of soring.”

After an investigation, the KHRC Rules Committee approved the Walking Horse Breeders’ Incentive Fund application in September, provided it follow the conditions and guidelines set forth by the committee. Points earned from January 1, 2009 through December 31, 2009 are not eligible for incentives. All funds for 2009 will be placed in an escrow account to be distributed along with the 2010 incentives.

Other suspected violations resulted in the Kentucky Quarter Horse Association placing several individuals on an “inquiry” list last year. Those on the list would be subject to investigation by the Kentucky Horse Racing Commission. None of those put on the inquiry list sought funding.

There have been other problems. Incentive point values for some breeds have decreased, and overall expenses have discouraged a few owners and breeders.

“I think that the peak in Kentucky stallion activity occurred in 2008 and will never recover from that point from out-of-state mare or stallion owners,” said Karen Misko, a Quarter Horse stallion owner from Texas. Misko said Kentucky veterinarian and breeding fees are “so much more than in every other part of the country, including California and Florida,” that she would not be keeping her stallions in Kentucky for the 2010 breeding season.

In spite of these setbacks, the fund is creating opportunities for smaller non-race breeds and generating discussions across the country.

“It has generated interest in organizing as a facet of the equine community to improve marketing of the Morgan horse, and the place of the Morgan horse,” said Kemper. She also said that the fund had enabled the Kentucky Morgan Horse Association to create a Web site: “Not that we couldn’t do it before, but now we had a reason to.”

Talk of the program’s success continues to spread outside of Kentucky. According to Eads, other states, including Texas, are looking into creating similar incentive programs.

Eads said the program is an “economic driver” for the state, and “I doubt it will ever be eliminated.”